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May 25, 1979

## The Pillsbury Company

Lease Financing Dated as of April 1, 1979

Dear Sir:

Pursuant to 49 U.S.C. § 11303(a), I enclose here-with on behalf of The Pillsbury Company for filing and recor-dation counterparts of the following documents:

(1) Equipment Lease dated as of April 1, 1979, between First Security Bank of Utah, N.A., as Lessor and The Pillsbury Company, as Lessee;

(2) Trust Indenture dated as of October 31, 1978, between First Security Bank of Utah, N.A., as Owner Trustee and United States Trust Company of New York, as Trustee; and

(3) Supplemental Indenture dated as of April 1, 1979, between First Security Bank of Utah, N.A. as Owner Trustee and United States Trust Company of New York, as Trustee.

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The names and addresses of the parties to the aforementioned agreements are as follows:

Owner Trustee - Lessor:

First Security Bank of Utah, N.A.  
79 South Main Street  
Salt Lake City, Utah 84111

Trustee:

United States Trust Company  
of New York  
130 John Street  
New York, N.Y. 10038

Lessee:

The Pillsbury Company  
608 Second Avenue South  
Minneapolis, Minnesota 55402.

The equipment covered by the aforementioned agreements consists of 200, 100-ton lined covered hopper cars, bearing Lessee identifying numbers PBLX 20000-20199, inclusive.

Enclosed is our check for \$110 for the required recordation fee. Please accept one counterpart of each of the enclosed agreements for your files, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,



George S. Balis  
as Agent for The Pillsbury  
Company

Mr. H. G. Homme, Jr.,  
Secretary,  
Interstate Commerce Commission,  
Washington, D.C. 20423

Encls.  
4A

**Interstate Commerce Commission**  
Washington, D.C. 20423

5/25/79

OFFICE OF THE SECRETARY

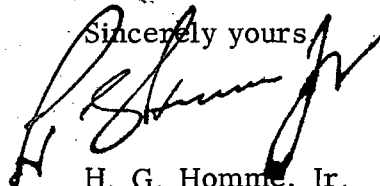
George S. Balis  
Cravath, Swaine & Moore  
One Chase Manhattan Plaza  
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/25/79 at 1:05pm, and assigned recordation number(s).

10398

Sincerely yours



H. G. Homme, Jr.  
Secretary

Enclosure(s)

SE-30  
(3/79)

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RECORDATION NO. .... Filed 1425

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INTERSTATE COMMERCE COMMISSION

THE RIGHTS OF THE LESSOR UNDER THIS EQUIPMENT LEASE AND IN ALL EQUIPMENT COVERED HEREBY HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, UNITED STATES TRUST COMPANY OF NEW YORK, AS TRUSTEE UNDER A TRUST INDENTURE DATED AS OF OCTOBER 31, 1978, AS AMENDED AND SUPPLEMENTED. THIS EQUIPMENT LEASE HAS BEEN EXECUTED IN COUNTERPARTS. SEE SECTION 22(e) HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF HOLDERS OF THE VARIOUS COUNTERPARTS.

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EQUIPMENT LEASE

Dated as of April 1, 1979

between

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement  
dated as of October 31, 1978,  
between it and  
Itel Corporation,  
Equipment Finance Division,  
Lessor,

and

THE PILLSBURY COMPANY,  
Lessee.

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EQUIPMENT LEASE dated as of April 1, 1979 (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of October 31, 1978 (the Trust Agreement), between it and Itel Corporation, Equipment Finance Division, and THE PILLSBURY COMPANY, a Delaware corporation (the Lessee).

SECTION 1. Definitions; Construction of References.  
In this Lease, unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Appraisal shall mean a procedure whereby two independent appraisers, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers, the two appraisers are unable to agree upon the amount in question, a third independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and, upon receipt of such decision, the amount in question shall be definitively determined by disregarding the decision of the appraiser which is at greatest variance with the other two appraisals and averaging the respective decisions of the remaining two appraisers. Thereafter the amount as so determined shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them. The fees and expenses of the third appraiser, if any, shall either (A) be added

to the purchase price of the Items of Leased Equipment appraised, if such Items should be purchased by the Lessee, or (B) if such Items should not be purchased by the Lessee, be paid by the Lessee as Supplemental Rent hereunder.

Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

Beneficiary, Rent Commencement Date, Late Payment Rate, Basic Rent Dates, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, First Termination Date, Basic Lease Rate Factor, Daily Lease Rate Factor, Equipment Marking, Period of Storage, Investment Credit Percentage, Depreciable Life, Depreciation Method and Net Salvage Value shall have the meanings set forth in Exhibit C hereto.

Business Day shall have the meaning set forth in the Participation Agreement.

Casualty Value and Termination Value shall have the meanings with respect to the Equipment set forth in Exhibit D and Exhibit E hereto.

Certificate of Acceptance shall mean a certificate substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 12 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 13 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deduction and Interest Deduction shall have the meanings set forth in Section 13 hereof.



Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 16 hereof.

Event of Loss shall have the meaning set forth in Section 10 hereof.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value; provided, however, that such Fair Market Value shall take into account any increase in value attributable to the existence of this Lease were it to continue to the Expiration Date. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

Impositions shall have the meaning set forth in Section 7 hereof.

Indenture shall mean the Trust Indenture dated as of October 31, 1978, between United States Trust Company of New York, a New York corporation (the Trustee), and the Lessor.

Lessor's Cost shall mean, with respect to any Item of Leased Equipment on any Closing Date, the manufacturer's invoice price (exclusive of freight charges from Tracey [Sorel], Quebec, to Massena, New York, or such other points to which any Item of Leased Equipment may be transported), finance charges, if any, storage charges, if any, and the amount of United States customs duties payable with respect to such Item of Leased Equipment. To the extent that any of such amounts shall be expressed in Canadian dollars, they shall be converted, for purposes of determining Lessor's Cost, to

United States dollars at the buying rate of exchange for Canadian dollars prevailing at the office of the Trustee in New York, New York, three Business Days prior to such Closing Date.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Liens and Lessor's Liens shall have the meanings set forth in Section 6 hereof.

Loss shall have the meaning set forth in Section 13 hereof.

Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

Participation Agreement shall mean the agreement, dated as of the date hereof, among the various parties thereto, including the Lessor, the Trustee, the Beneficiary, the Lessee and the entity named therein as the Long-Term Lender.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Documents shall mean those documents defined as "Purchase Documents" in the Participation Agreement.

Requisition of Use shall have the meaning set forth in Section 10 hereof.

Supplement shall mean the supplement to the Indenture creating the Notes for issuance in connection with the purchase of the Leased Equipment.

**SECTION 2. Lease of Equipment.** Subject to the terms and conditions of this Lease, the Lessor agrees to lease to the Lessee, and the Lessee agrees to lease from the Lessor, such Items of Equipment as the Lessor shall have acquired, or become obligated to pay for, pursuant to the

Purchase Documents (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor on or after the First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in good order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto, or (b) if the Lessee, acting in good faith, should find that such Item is not in good order, return the same to the manufacturer thereof. Each Item of Leased Equipment delivered to and accepted by the Lessee in accordance with the Purchase Documents shall be subject to the terms and conditions of this Lease from the date the Lessor shall have acquired, or become obligated to pay for, such Item.

SECTION 3. Term and Rent. (a) The term of this Lease shall begin on the date the first Item of Equipment shall become an Item of Leased Equipment hereunder and shall end on the Expiration Date unless this Lease shall have been terminated, or the term of this Lease shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment, the following:

(1) on the Interim Rent Date, an amount equal to the Daily Lease Rate Factor, if any, multiplied by the Lessor's Cost of such Item of Leased Equipment, for each day elapsed from, and including, the Rent Commencement Date with respect to such Item of Leased Equipment to, but excluding, the Interim Rent Date; and

(2) on the First Basic Rent Date and on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item of Leased Equipment.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Casualty Value and Termination Value,

if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value; and

(3) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of actual days elapsed) at the Late Payment Rate on any payment of Basic Rent, Casualty Value or Termination Value, if any, not paid when due for any period during which the same shall be overdue.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds no later than 11:00 A.M. New York City time, on the date payable hereunder and shall be paid to the Lessor at its address set forth herein or at such other address or to such other Person as the Lessor may direct by notice in writing to the Lessee.

**SECTION 4. Net Lease.** This Lease is a net lease, and the Lessee agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, setoff, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any other Person, or the invalidity or unenforceability or lack of due authorization of this Lease or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the

foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Warranty of the Lessor. (a) The Lessor warrants that during the term of this Lease, if no Event of Default shall have occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section 5 is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS". THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder, all of the Lessor's rights under any applicable manufacturer's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 8 hereof.

SECTION 6. Liens. The Lessee will not directly or indirectly create, incur, assume or suffer to exist any

mortgage, lien, security interest, charge, claim or other encumbrance (Liens) on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Liens created or granted by the Lessor or resulting from claims against the Lessor not related to the Lessor's ownership of the Leased Equipment (Lessor's Liens), (c) Liens for taxes either not yet due or being duly contested by the Lessee in good faith, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

SECTION 7. Taxes. The Lessee agrees to pay and to indemnify and hold harmless the Lessor for all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease or any Supplement and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to any Item of Leased Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, taxes on, or measured solely by, the net income of the Lessor) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, stating that such Imposition is being duly contested by the Lessee in good faith and counsel for the Lessor shall have determined that the nonpayment or contest of payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such

claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under, or arising out of, this Section 7, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy thereof to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 8. Use, Maintenance and Operation; Equipment Marking. (a) The Lessee agrees that each Item of Leased Equipment will only be used for the transportation of grain, grain products and dry bulk cargo. The Lessee further agrees that each Item of Leased Equipment will be used, or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof, and the Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of ownership by the Lessor of the Items of Leased Equipment or the leasing thereof to the Lessee. Throughout the term of this Lease, the possession, use and maintenance of each Item of Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of each Item of Leased Equipment in accordance with the terms of this Lease. Without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in all or any of the Leased Equipment except as hereinafter provided in this paragraph; and the Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Leased Equipment, except to the extent hereinafter provided in this paragraph. The Lessee shall be entitled to the use of each Item of Leased Equipment upon lines of railroad owned or operated by it or any affiliate of the Lessee or upon

lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is operated pursuant to contract or otherwise and shall be entitled to permit the use of the Leased Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and, without relieving the Lessee of its liability hereunder, to assign its rights to any and all Items of Leased Equipment or to sublease such Items of Leased Equipment without the prior consent of the Lessor, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Item of Leased Equipment predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee assign or sublease to, or permit the sublease or use of any Item of Leased Equipment by, any person in whose hands such Item would not qualify as "Section 38 property" within the meaning of the Code. So long as no Event of Default shall exist hereunder, the Lessee may receive and retain compensation for the use of any of the Items of Leased Equipment from railroads or other entities so using such Items.

Nothing in this Section 8 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease or possession of the Leased Equipment to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and provided, further, that if the Lessee shall continue in existence after any such corporate change, it shall also continue to remain liable with respect to the obligations of the Lessee hereunder, unless the Owner-Trustee and the Trustee shall otherwise consent in writing, notwithstanding any such assumption by a successor to the Lessee, as aforesaid.

(c) The Lessee agrees to comply in all respects (including without limitation with respect to the use,



maintenance and operation of each Item of Leased Equipment) with all laws of the jurisdictions in which its operations involving the Items of Leased Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items of Leased Equipment, to the extent that such laws and rules affect the title, operation or use of the same, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Item of Leased Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease.

(d) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item of Leased Equipment (including any parts installed on or replacements made to any Item of Leased Equipment and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads and in the same condition as other similar equipment owned or leased by railroads. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Item of Leased Equipment during the term of this Lease as are readily removable without causing material damage to such Items of Leased Equipment (and do not adversely and materially affect the value of such Items of Leased Equipment or affect the originally intended use thereof). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the next sentence hereof. Any and all parts installed on and additions and replacements made to any Item of Leased Equipment (i) which are not readily removable without causing material damage to such Item, (ii) the cost of which is included in the Lessor's Cost, (iii) in the course of ordinary maintenance of such Item of Leased Equipment or (iv) which are required for the operation or use of such Item of Leased Equipment by the interchange rules of the

Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Item of Leased Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Lessor) shall immediately be vested in the Lessor.

(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

SECTION 9. Inspection and Reports. On or before March 31 in each year, commencing with the calendar year after the First Delivery Date, the Lessee will furnish to the Lessor and the Trustee an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Items of Leased Equipment then leased hereunder, the total number, description and identification numbers of all Items of Leased Equipment that have suffered an Event of Loss during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair thereof as the Lessor or the Trustee may reasonably request, (b) stating that, in the case of all Items of Leased Equipment repainted or repaired during the period covered by such statement, the numbers and markings required by Section 8 hereof have been preserved or replaced and (c) further stating that the Lessee is in compliance under this Lease. The Lessor and the Trustee shall each have the right by its agents to inspect the Items of Leased Equipment and the

Lessee's records with respect thereto at such reasonable times as the Lessor or the Trustee may request during the continuance of this Lease; provided, however, that no such inspection shall unduly interfere with the Lessee's normal conduct of its business and that the expense of said inspection shall be borne by the inspecting party.

SECTION 10. Loss or Destruction; Requisition of Use. (a) In the event that any Item of Leased Equipment shall be or become irreparably damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto or use thereof shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (any such taking being herein referred to as a Requisition of Use) for a stated period which exceeds the then remaining term of this Lease (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item of Leased Equipment determined as of such Basic Rent Date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following the Event of Loss. Upon making such Casualty Value payment in respect of such Item of Leased Equipment and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item of Leased Equipment shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item of Leased Equipment, shall remain unchanged. Except in the case of loss, theft or destruction, the Lessor shall be entitled to recover possession of such Item. The Lessor shall be under no duty to the Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor.

(b) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of paragraph (a) of this Section 10, the Lessee, if possible, shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an as is, where is basis without recourse, representation or warranty, express or implied. As to each separate Item of Leased Equipment so disposed of, the Lessee may, after paying the Lessor the amounts specified in paragraph (a) of this Section 10, retain all amounts of such

price up to the Casualty Value thereof and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. With respect to a Requisition of Use of any Item of Leased Equipment for a stated period which exceeds the then remaining term of this Lease, the Lessor agrees that the Lessee shall receive and retain all amounts paid by any governmental authority up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor.

(c) Except as provided in this Section 10, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(d) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the then remaining term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence.

SECTION 11. Insurance. At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Leased Equipment and public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned by it or, if the Lessee shall have no such similar equipment, in amounts and against risks comparable to those insured against by railroad companies on similar equipment; provided, however, that the amounts and risk coverage of public liability insurance shall be satisfactory to the Owner Trustee and the Trustee.

SECTION 12. Indemnification. The Lessee agrees to assume liability for, and does hereby agree to indemnify and save harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or

absolute liability in tort), actions, costs and expenses (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred by or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease, including, without limitation, the Indenture to the extent attributable to any Supplement, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent or trademark infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 18 hereof, or (b) any Claim resulting from acts which would constitute the wilful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 12, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 13. Tax Indemnification. (a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits (except the Investment Credit Percentage to which the Lessee is entitled as set forth in Exhibit C attached hereto) and other benefits as are provided to an owner of property including, without

limitation:

(1) the deduction for accelerated depreciation (the Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method, and Net Salvage Value set forth in Exhibit C hereto; and

(2) the deduction under Section 163 of the Code (the Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) This Lease is to be entered into on the basis of, among other things, the following assumptions (the Assumptions): (i) at the time the Lessor becomes the owner of each Item of Leased Equipment, such Item will constitute "new Section 38 property" within the meaning of Sections 46 and 48 of the Code and at the time the Lessor becomes the owner of such Item, such Item of Leased Equipment will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (ii) each Item of Leased Equipment is an asset described in the Asset Guideline Class set forth under the heading Depreciable Life in Exhibit C hereto; (iii) the Lessee will not at any time during the term of this Lease use or fail to use any Item of Leased Equipment in such a way as to disqualify it as "Section 38 property" within the meaning of Section 48(a) of the Code; (iv) for Federal income tax purposes, all amounts includible in the gross income of the Lessor with respect to each Item of Leased Equipment and all deductions allowable to the Lessor with respect to each Item of Leased Equipment will be treated as derived from, or allocable to, sources within the United States; (v) the Lessee will maintain sufficient records to verify such use, which records will be available for review by the Lessor within 30 days after receipt of a written demand therefor; and (vi) an amount equal to at least 20% of the Lessor's Cost of each Item of Leased Equipment is a reasonable estimate of what the Fair Market Value of such Item will be on the Expiration Date with respect thereto without including in such value any increase or decrease for inflation or deflation and after subtracting

from such value any cost to the Lessor for removal and delivery of possession of such Item to the Lessor, and at least 20% of the original estimated useful life of such Item of Leased Equipment is a reasonable estimate of what the remaining useful life of such Item will be on the Expiration Date with respect thereto.

(c) If, by reason of (1) the inaccuracy in law or in fact of any of the Assumptions set forth in paragraph (b) of this Section, (2) the inaccuracy of any statement in any letter or document furnished to the Lessor by or on behalf of the Lessee in connection with the financing contemplated by this Lease, or (3) the act, failure to act or omission of or by the Lessee, the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to an Item of Leased Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the next succeeding Basic Rent Date, upon written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item which, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of this Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all the Interest Deduction or the Depreciation Deduction with respect to such Item. If such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall, within 30 days after such notice, pay to the Lessor such sum as will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of this Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all the Interest Deduction and the Depreciation Deduction with respect to such Item. The Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor attributable to the Loss.

(d) For purposes of this Section, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax

increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section on account of, any Loss due to any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value of such Item, if such Casualty Value or Termination Value shall thereafter actually be paid by the Lessee, which shall reimburse the Lessor for amounts otherwise payable by the Lessee pursuant to this Section.

(e) All the Lessor's rights arising from the indemnities contained in this Section shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of, and shall be enforceable by, the Lessor, its successors and assigns.

SECTION 14. Right of First Refusal. (a) Provided that no Default or Event of Default shall have occurred and be continuing hereunder, the Lessor agrees that if it proposes to sell any Item of Leased Equipment following the expiration of the term of this Lease, it shall, not earlier than 120 days prior to such expiration and not later than 120 days after such expiration, give notice in writing to such effect to the Lessee. Within 60 days after receipt of such notice, the Lessee may give written notice to the Lessor that it wishes to buy any such Item of Leased Equipment at its Fair Market Value and, if such notice shall be given, the Lessor shall sell such Item of Leased Equipment to the Lessee at or after such expiration for its Fair Market Value. If the aforesaid notice shall not be given by the Lessee within the 60-day time period referred to in the previous sentence, the Lessor shall not have any further obligation to give the Lessee any right, option or notice with respect to the purchase of any Item of Leased Equipment.

(b) In the event the Lessee exercises any right to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all Liens by or in favor of any Person claiming by, through or under the Lessor) for such Item of



Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 15. Voluntary Termination. (a) The Lessee shall have the right, at any time on or after the First Termination Date, on at least 180 days' prior written notice to the Lessor, to terminate this Lease with respect to all, but not less than all, Items of Leased Equipment subject to this Lease, such termination to be effective on the Basic Rent Date next following the expiration of the 180-day notice period (the Termination Date); provided, however, that no Default or Event of Default shall have occurred and be continuing hereunder and that such Items shall have become obsolete or surplus to the Lessee's requirements. During the period from the giving of such notice until the Termination Date, the Lessor may, and the Lessee, as agent for the Lessor, shall, use their best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid (other than the Lessee or any affiliate of the Lessee). The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section. On the Termination Date, the Lessor shall sell such Items of Leased Equipment, without recourse or warranty, for cash to the bidder who shall have submitted the highest bid prior to such date and shall transfer to such purchaser all of the Lessor's right, title and interest in and to such Items, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the Lessor in accordance with the terms of Section 18 of this Lease; provided, however, that the Lessor shall not sell such Items without giving the Lessee the opportunity to be the purchaser thereof on the Termination Date at the same price (but not less than the Fair Market Value of such Items as of such date of purchase) and on the same terms as the highest bidder. The Lessor shall certify in writing to the Lessee (i) the amount of such total sale price, (ii) the expenses incurred by the Lessor in connection with such sale, and (iii) that such

total sale price represents the highest bid received by the Lessor for the purchase of such Items. The total sale price realized at such sale shall be retained by the Lessor, and, in addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent payment payable on such date and the amount, if any, by which (A) the Termination Value of such Items, computed as of the Termination Date, shall exceed (B) the proceeds of such sale less all expenses, including out-of-pocket attorneys' fees, if any, incurred by the Lessor in selling such Items. In the event no such sale takes place, the Lessee shall pay to the Lessor the Termination Value of such Items, computed as of the Termination Date, plus any expenses, including out-of-pocket attorneys' fees, if any, incurred by the Lessor in connection herewith and the Basic Rent payment then due, and the Lessor shall retain the Equipment free of any interest therein of the Lessee. Upon payment of all amounts required to be paid by the Lessee pursuant to this paragraph (a), the obligation of the Lessee for all Basic Rent accruing hereunder with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(b) Notwithstanding the foregoing, provided that no Default or Event of Default shall have occurred and be continuing hereunder, upon written notification given to the Lessor not less than 60 days prior to the Termination Date, the Lessee may elect to rescind the Lessee's notice of termination, in which case this Lease shall not terminate as set forth in this Section, but shall continue in full force and effect as though no such notice of termination had been given by the Lessee. In the event that such notice of termination is rescinded, the Lessee agrees to reimburse the Lessor for all reasonable expenses incurred by the Lessor as a consequence of such rescission.

SECTION 16. Events of Default. The term Event of Default, wherever used herein, shall mean any of the following events under this Lease:

(a) the Lessee shall fail to make any payment of Rent within 10 days after written notice from the Lessor that the same shall have become due; or

(b) the Lessee shall have failed to comply with its obligations under Section 11 hereof; or

(c) the Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, and such failure shall continue for 30 days after written notice thereof from the Lessor to the Lessee; or

(d) any representation or warranty made by the Lessee in this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(e) a petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee; or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee, custodian or a receiver, or a trustee, custodian or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of the Lessee's property without its consent and any such trustee, custodian or receiver shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed within a period of 60 days; or

(f) the Lessee shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not have been duly contested in good faith.

SECTION 17. Remedies. (a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its

sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may, subject to compliance with all mandatory requirements of law, enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor shall have declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor shall have declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2) the Lessor shall proceed to sell the Leased Equipment in such commercially reasonable manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to pay all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, (B) second, to pay to the Lessor an amount equal to any unpaid Rent due and payable and the Casualty Value, to the extent not previously paid, and (C) third, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent that all Basic Rent then due and payable with

respect to the Leased Equipment and the Casualty Value in respect of such Leased Equipment have not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) all Basic Rent then due and payable with respect to the Leased Equipment, (b) the Casualty Value or portion thereof not theretofore paid, and (c) the amount payable under clause (A) of the preceding sentence, shall exceed (Y) the sale price of the Leased Equipment, and (ii) interest at the Late Payment Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 18. Return of Leased Equipment. (a) Return After Default. If this Lease shall terminate pursuant to Section 17 hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's

expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk:

(i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, place such Item of Leased Equipment upon such storage tracks as the Lessor reasonably may designate; and

(ii) cause such Item of Leased Equipment to be stored on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Item of Leased Equipment has been sold, leased or otherwise disposed of by the Lessor if such termination occurs pursuant to Section 17 hereof until the Period of Storage shall expire.

The assembling, delivery, storage and insurance of the Items of Leased Equipment as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and store the Items of Leased Equipment. During the Period of Storage, the Lessee will, at its own cost and expense if the Lease has been terminated pursuant to Section 17 hereof, upon the request of the Lessor and at the Lessor's expense, maintain and keep the Items of Leased Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Items of Leased Equipment to inspect the same. All amounts earned in respect of the Items of Leased Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment shall not be assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall

in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on a Basic Rent Date for such Items of Leased Equipment divided by 30 shall exceed the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

(b) Return After Other Termination. If this Lease shall expire or terminate (other than pursuant to the provisions of Sections 16 and 17 hereof) in accordance with the terms hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor; provided, however, that the Lessee, not later than 120 days prior to such expiration or termination, shall have notified the Lessor in writing of its intention not to act under Section 14 hereof. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, shall be usable for the transportation of grain, grain products and dry bulk cargo, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, deliver such item of Leased Equipment upon such tracks within the continental United States as the Lessor may designate. The assembling and delivery of the Items of Leased Equipment as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble and deliver the Items of Leased Equipment. All amounts earned in respect of the Items of Leased Equipment after the date of termination or expiration of this Lease shall belong to the Lessor

and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment shall not be assembled and delivered as hereinabove provided, within 60 days after such termination or expiration, the Lessee shall in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on a Basic Rent Date for such Items of Leased Equipment not so assembled and delivered divided by 30 shall exceed the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

(c) Authority. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 18, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Leased Equipment to the Lessor, to demand and take possession of such Item of Leased Equipment in the name and on behalf of the Lessee from whomsoever shall be in possession of such Item of Leased Equipment at the time.

SECTION 19. Special Terms and Modifications. Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 20. Notices. All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail, prepaid, addressed (a) if to the Lessor, at P. O. Box 30007, Salt Lake City, Utah 84125, Attention of Trust Division, Corporate Trust Department with copies to (1) Itel Corporation, Equipment Finance Division, at One Embarcadero Center, San Francisco, California 94111, Attention of Contract Administration, (2) the Trustee, at 130 John Street, New York, New York 10038, Attention of Corporate Trust and Agency Division and (3) the Beneficiary, at its address set forth in Exhibit C hereto, and (b) if to the Lessee, at its address set forth on the signature page hereof.

SECTION 21. Successors, Assigns and Indemnified Parties. This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, (1) the



Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, (i) the Beneficiary and its successors and assigns and (ii) any holder of the obligations of the Lessor issued in connection with this Lease, (2) the Trustee, as assignee and secured party, (3) the successors, assigns, agents and personal representatives of the Trustee, as assignee and secured party, and (4) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 5, 7 and 12 hereof, the Beneficiary, the Related Trust Estate, as such term is defined in the Trust Agreement, the Trustee, as assignee and secured party, any holder of obligations of the Lessor issued in connection with the purchase or acquisition of the Leased Equipment, and the successors, assigns, agents, and personal representatives of the foregoing shall each be indemnified thereunder and, with respect to clause (b) of the proviso to Section 12 hereof, the wilful misconduct or gross negligence of the Lessor or any one such person shall not affect the rights of any other person indemnified under such Section 12. With respect to the provisions of Section 13 hereof, the "Lessor", as used therein, shall mean the Beneficiary and the consolidated taxpayer group of which the Beneficiary is a member, and the Beneficiary (and such group) are hereby made third party beneficiaries for purposes of the provisions thereof.

SECTION 22. Amendments and Miscellaneous. (a) The terms of this Lease shall not be waived, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or the Supplement without the consent of the Trustee.

(b) All agreements, indemnities, representations and warranties contained in this Lease, the Participation Agreement or any agreement, document or certificate delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions

hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts. This Lease, the Indenture and the Supplement shall be filed with the Interstate Commerce Commission in accordance with the applicable provisions of 49 U.S.C. § 11303 prior to the delivery and acceptance hereunder of any Item of Leased Equipment.

(f) This Lease shall be governed by, and construed in accordance with, the laws of the state indicated in the address of the Lessee as set forth after its signature herein.

(g) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as of  
October 31, 1978, between it and  
Itel Corporation, Equipment Finance  
Division,  
Lessor,

by \_\_\_\_\_  
Authorized Officer

Dated:

THE PILLSBURY COMPANY,

Lessee,

by Richard A. Conrad  
Executive Vice President

Dated: May 27, 1979

Address: 608 Second Avenue South  
Minneapolis, Minnesota 55402

STATE OF UTAH, )  
 ) ss.:  
 COUNTY OF SALT LAKE, )

On the            day of            1979, before me personally appeared           , who, being by me duly sworn, did say that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, and that said instrument was signed and sealed on behalf of said national banking association, by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

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Notary Public

[NOTARIAL SEAL]

My Commission expires

STATE OF MINNESOTA, )  
 ) ss.:  
 COUNTY OF HENNEPIN, )

On the *24<sup>th</sup>* day of *May* 1979, before me personally appeared *Richard A. Corns*, who, being by me duly sworn, did say that he is *Executive Vice President* of THE PILLSBURY COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation, by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

*Jean M. Ingram*  
 Notary Public

[NOTARIAL SEAL]

My Commission expires

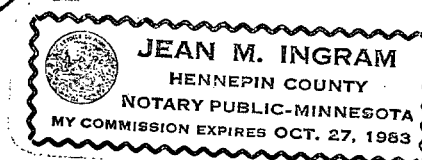


EXHIBIT A  
to Lease

## DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description and AAR Mechanical Designation</u>	<u>Lessee's Identification Numbers</u>	<u>Estimated Lessor's Cost Per Item</u>
200	Marine Industrie Limitee	100-ton Lined Covered Hopper Cars, in con- formity with Manufacturer's General Arrange- ment drawing No. 9-14310 dated August 18, 1978, and Specification No. 364 dated August 18, 1978 (AAR-LO)	PBLX 20000 through 20199 (both inclusive)	U.S. \$44,000

EXHIBIT B  
to Lease

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

under

EQUIPMENT LEASE dated as of April 1, 1979 (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., as lessor (the Lessor), not in its individual capacity, but solely as trustee for Wells Fargo Transport Leasing Corporation under a Master Trust Agreement dated as of October 31, 1978, between it and Itel Corporation, Equipment Finance Division, and THE PILLSBURY COMPANY, as lessee (the Lessee).

1. Items of Equipment. The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item) have been delivered to and inspected by the Lessee at Tracy (Sorel), Quebec, Canada found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date(s) of Acceptance set forth on Schedule 1 hereto.

2. Representations by the Lessee. The Lessee hereby represents and warrants to the Lessor, the Beneficiary, the Trustee and the Long-Term Lender, as such terms are defined in the Lease and the Participation Agreement, that on the Date(s) of Acceptance set forth on Schedule 1 hereto:

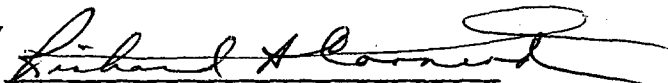
(1) The representations and warranties of the Lessee set forth in the Participation Agreement are true and correct in all material respects as though made on and as of such Date of Acceptance.

(2) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date of Acceptance.

(3) No Default or Event of Default under the Lease has occurred and is continuing on such Date of Acceptance.

THE PILLSBURY COMPANY,  
Lessee,

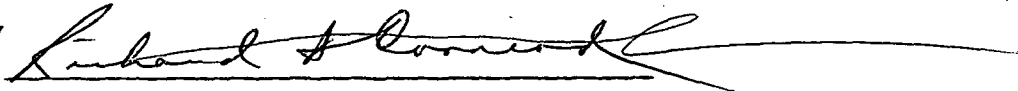
by



Accepted on the Date(s) of Acceptance set forth on Schedule 1 hereto on behalf of the Lessor: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of October 31, 1978, between it and Itel Corporation, Equipment Finance Division,  
Lessor

THE PILLSBURY COMPANY,  
as Authorized Representative

by



## SCHEDULE 1 TO

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description</u>	<u>Lessee's Identification Number</u>	<u>New</u>	<u>Lessor's Cost</u>	<u>Date(s) of Acceptance</u>
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Total

\$ \_\_\_\_\_



EXHIBIT C  
to Lease

(20-year Basic Lease Term)

<u>Date of Lease:</u>	As of April 1, 1979
<u>Beneficiary:</u>	Wells Fargo Transport Leasing Corporation 425 California Street (10th Floor) San Francisco, California 94104
<u>Rent Commencement Date:</u>	The Date of Acceptance as set forth in the Certificate of Acceptance applicable to such Item.
<u>Late Payment Rate:</u>	A rate per annum equal to 1% over the Debt Rate, as such term is defined in the Partici- pation Agreement, but in no event at a rate per annum greater than that permitted by applicable law.
<u>Basic Rent Dates:</u>	The fifteenth day of January and July in each year.
<u>First Delivery Date:</u>	May 25, 1979
<u>Final Delivery Date:</u>	July 15, 1979
<u>Interim Rent Date:</u>	July 15, 1979
<u>First Basic Rent Date:</u>	January 15, 1980
<u>Last Basic Rent Date:</u>	July 15, 1999
<u>Expiration Date:</u>	July 15, 1999
<u>First Termination Date:</u>	July 15, 1989

**\*Basic Lease Rate Factor:**

January 15, 1980 )  
to and including ): 4.9126%  
July 15, 1999 )

\* The parties acknowledge that legislation may be enacted which would repeal customs duties now payable on the import into the United States of covered hopper cars from Canada and that such repeal may be made retroactive to the payment of customs duties with respect to the Leased Equipment. In the event such legislation shall be enacted, made retroactive to the Leased Equipment, and a refund shall be paid to the Lessor, then:

(a) the refund shall be placed in an escrow account (the Escrow Account) with the Trustee (as defined in the Participation Agreement);

(b) depreciation recapture, if any, plus an amount equal to all income taxes of the Lessor on the amount or amounts so distributed, payable as a result of such refund shall be paid by the Trustee to the Lessor out of the Escrow Account and investment tax credit recapture, if any, payable as a result of such refund shall be paid by the Trustee to the Lessee out of the Escrow Account;

(c) the funds in the Escrow Account shall be invested in treasury bills or other similar government securities;

(d) an amount equal to all income taxes of the Lessor on the interest earned on the funds in the Escrow Account shall be distributed to the Lessor out of the Escrow Account;

(e) the fees of the Trustee with respect to the Escrow Account shall be distributed to the Trustee out of the Escrow Account;

(f) the remainder of such funds shall be applied against a portion of each payment of principal and interest on the Notes of the Lessor issued in connection with this Lease. Such application shall be made in such a way that each payment of principal and interest on such Notes out of the Escrow Account shall be substantially the same and that the Escrow Account shall be exhausted on the date of the last payment of principal and interest; and

<u>Daily Lease Rate Factor:</u>	1/360th of the Debt Rate as defined in the Participation Agreement.
<u>Equipment Marking:</u>	In letters not less than one inch in height: "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission."
<u>Period of Storage:</u>	120 days if stored pursuant to Section 18(a).
<u>Investment Credit Percentage:</u>	10% to Lessee with respect to which the Lessor makes no representations or warranties, either express or implied.
<u>Depreciable Life:</u>	A 12-year depreciable life pursuant to Section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.
<u>Depreciation Method:</u>	The double-declining balance method switching to the sum-of-the-years digits method when most beneficial to the Beneficiary and without the prior consent of the Commissioner of Internal Revenue utilizing either the "modified half-year" or "half-year" convention pursuant to Reg. Section 1.167(a)-11(c)(2)

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(g) the Basic Rent payable by the Lessee hereunder shall be reduced on each Basic Rent Date by an amount equal to the amount applied against principal and interest on such Notes out of the Escrow Account.

If the Long-Term Lender does not make its Loan on any Closing Date pursuant to the Participation Agreement, the Beneficiary agrees to make such Loan, and in such case, the Lessee agrees that the Basic Lease Rate Factor shall be 6.9871% and the Casualty Values and Termination Values shall be as set forth in Exhibit E to the Lease.

and taking into account the Net  
Salvage Value of the Leased  
Equipment.

Net Salvage Value:

An amount equal to 0% of the  
Lessor's Cost of the Leased  
Equipment.

EXHIBIT D  
to Lease

The Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Interim Rent Date	106.6606%	-
Jan. 15, 1980	108.0865	-
July 15, 1980	109.1509	-
Jan. 15, 1981	109.4364	-
July 15, 1981	109.4994	-
Jan. 15, 1982	109.3685	-
July 15, 1982	109.0277	-
Jan. 15, 1983	108.4725	-
July 15, 1983	107.7129	-
Jan. 15, 1984	106.7357	-
July 15, 1984	105.5637	-
Jan. 15, 1985	104.1901	-
July 15, 1985	102.6329	-
Jan. 15, 1986	100.8918	-
July 15, 1986	98.9808	-
Jan. 15, 1987	96.9482	-
July 15, 1987	94.8135	-
Jan. 15, 1988	92.5716	-
July 15, 1988	90.2169	-
Jan. 15, 1989	87.7440	-
July 15, 1989	86.7855	86.7855%
Jan. 15, 1990	83.9550	83.9550
July 15, 1990	80.7518	80.7518
Jan. 15, 1991	77.7130	77.7130
July 15, 1991	74.4045	74.4045
Jan. 15, 1992	71.2905	71.2905
July 15, 1992	67.9806	67.9806
Jan. 15, 1993	64.8647	64.8647
July 15, 1993	61.6218	61.6218
Jan. 15, 1994	58.5453	58.5453
July 15, 1994	55.4075	55.4075

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Jan. 15, 1995	52.3941	52.3941
July 15, 1995	49.3958	49.3958
Jan. 15, 1996	46.4921	46.4921
July 15, 1996	43.4246	43.4246
Jan. 15, 1997	40.2398	40.2398
July 15, 1997	36.8923	36.8923
Jan. 15, 1998	33.4271	33.4271
July 15, 1998	29.7828	29.7828
Jan. 15, 1999	25.9886	25.9886
July 15, 1999	20.0000	0.0000

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(a) In the event the Basic Lease Rate Factor shall be increased pursuant to the tax indemnification provisions set forth in Section 13 of this Lease, Casualty Values and Termination Values shall be adjusted accordingly.

EXHIBIT E  
to Lease

In the event that the Long-Term Lender does not make its Loan on any Closing Date pursuant to the Participation Agreement, the Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Interim Rent Date	106.8930%	
Jan. 15, 1980	109.5238	-
July 15, 1980	111.5375	-
Jan. 15, 1981	112.5156	-
July 15, 1981	113.2959	-
Jan. 15, 1982	114.2026	-
July 15, 1982	114.8718	-
Jan. 15, 1983	115.3392	-
July 15, 1983	115.5693	-
Jan. 15, 1984	115.5876	-
July 15, 1984	115.3722	-
Jan. 15, 1985	114.9530	-
July 15, 1985	114.3043	-
Jan. 15, 1986	113.4604	-
July 15, 1986	112.3916	-
Jan. 15, 1987	111.1369	-
July 15, 1987	109.6625	-
Jan. 15, 1988	108.0121	-
July 15, 1988	106.1480	-
Jan. 15, 1989	104.1184	-
July 15, 1989	101.8819	-
Jan. 15, 1990	99.4913	99.4913%
July 15, 1990	96.9012	96.9012
Jan. 15, 1991	94.1694	94.1694
July 15, 1991	91.2466	91.2466
Jan. 15, 1992	88.1952	88.1952
July 15, 1992	84.9621	84.9621

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Jan. 15, 1993	81.6147	81.6147
July 15, 1993	78.0821	78.0821
Jan. 15, 1994	74.4222	74.4222
July 15, 1994	70.5617	70.5617
Jan. 15, 1995	66.5465	66.5465
July 15, 1995	62.3162	62.3162
Jan. 15, 1996	57.9163	57.9163
July 15, 1996	53.2842	53.2842
Jan. 15, 1997	48.4643	48.4643
July 15, 1997	43.3930	43.3930
Jan. 15, 1998	38.1129	38.1129
July 15, 1998	32.5604	32.5604
Jan. 15, 1999	26.7773	26.7773
July 15, 1999	20.0000	0.0000

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(a) In the event the Basic Lease Rate Factor shall be increased pursuant to the tax indemnification provisions set forth in Section 13 of this Lease, Casualty Values and Termination Values shall be adjusted accordingly.



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EQUIPMENT LEASE dated as of April 1, 1979 (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, not in its individual capacity, but solely as trustee (the Lessor) under a Master Trust Agreement dated as of October 31, 1978 (the Trust Agreement), between it and Itel Corporation, Equipment Finance Division, and THE PILLSBURY COMPANY, a Delaware corporation (the Lessee).

SECTION 1. Definitions; Construction of References.  
In this Lease, unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease:

Abatements shall have the meaning set forth in Section 4 hereof.

Appraisal shall mean a procedure whereby two independent appraisers, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers, the two appraisers are unable to agree upon the amount in question, a third independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and, upon receipt of such decision, the amount in question shall be definitively determined by disregarding the decision of the appraiser which is at greatest variance with the other two appraisals and averaging the respective decisions of the remaining two appraisers. Thereafter the amount as so determined shall be binding and conclusive on the Lessor and the Lessee. The Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them. The fees and expenses of the third appraiser, if any, shall either (A) be added

to the purchase price of the Items of Leased Equipment appraised, if such Items should be purchased by the Lessee, or (B) if such Items should not be purchased by the Lessee, be paid by the Lessee as Supplemental Rent hereunder.

Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

Beneficiary, Rent Commencement Date, Late Payment Rate, Basic Rent Dates, First Delivery Date, Final Delivery Date, Interim Rent Date, First Basic Rent Date, Last Basic Rent Date, Expiration Date, First Termination Date, Basic Lease Rate Factor, Daily Lease Rate Factor, Equipment Marking, Period of Storage, Investment Credit Percentage, Depreciable Life, Depreciation Method and Net Salvage Value shall have the meanings set forth in Exhibit C hereto.

Business Day shall have the meaning set forth in the Participation Agreement.

Casualty Value and Termination Value shall have the meanings with respect to the Equipment set forth in Exhibit D and Exhibit E hereto.

Certificate of Acceptance shall mean a certificate substantially in the form of Exhibit B hereto.

Claims shall have the meaning set forth in Section 12 hereof.

Closing Date shall have the meaning set forth in the Participation Agreement.

Code shall have the meaning set forth in Section 13 hereof.

Default shall mean an event which, after the giving of notice or lapse of time, or both, would mature into an Event of Default.

Depreciation Deduction and Interest Deduction shall have the meanings set forth in Section 13 hereof.

Equipment, and individually an Item or Item of Equipment, shall mean the items of equipment described in Exhibit A hereto.

Event of Default shall have the meaning set forth in Section 16 hereof.

Event of Loss shall have the meaning set forth in Section 10 hereof.

Fair Market Value of an Item of Leased Equipment shall be determined on the basis of, and shall mean the amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) under no compulsion to buy and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value; provided, however, that such Fair Market Value shall take into account any increase in value attributable to the existence of this Lease were it to continue to the Expiration Date. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Leased Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

Impositions shall have the meaning set forth in Section 7 hereof.

Indenture shall mean the Trust Indenture dated as of October 31, 1978, between United States Trust Company of New York, a New York corporation (the Trustee), and the Lessor.

Lessor's Cost shall mean, with respect to any Item of Leased Equipment on any Closing Date, the manufacturer's invoice price (exclusive of freight charges from Tracey [Sorel], Quebec, to Massena, New York, or such other points to which any Item of Leased Equipment may be transported), finance charges, if any, storage charges, if any, and the amount of United States customs duties payable with respect to such Item of Leased Equipment. To the extent that any of such amounts shall be expressed in Canadian dollars, they shall be converted, for purposes of determining Lessor's Cost, to

United States dollars at the buying rate of exchange for Canadian dollars prevailing at the office of the Trustee in New York, New York, three Business Days prior to such Closing Date.

Leased Equipment, and individually an Item of Leased Equipment, shall have the meanings set forth in Section 2 hereof.

Liens and Lessor's Liens shall have the meanings set forth in Section 6 hereof.

Loss shall have the meaning set forth in Section 13 hereof.

Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Leased Equipment.

Participation Agreement shall mean the agreement, dated as of the date hereof, among the various parties thereto, including the Lessor, the Trustee, the Beneficiary, the Lessee and the entity named therein as the Long-Term Lender.

Person shall mean any individual, partnership, corporation, trust, unincorporated association or joint venture, a government or any department or agency thereof, or any other entity.

Purchase Documents shall mean those documents defined as "Purchase Documents" in the Participation Agreement.

Requisition of Use shall have the meaning set forth in Section 10 hereof.

Supplement shall mean the supplement to the Indenture creating the Notes for issuance in connection with the purchase of the Leased Equipment.

SECTION 2. Lease of Equipment. Subject to the terms and conditions of this Lease, the Lessor agrees to lease to the Lessee, and the Lessee agrees to lease from the Lessor, such Items of Equipment as the Lessor shall have acquired, or become obligated to pay for, pursuant to the

Purchase Documents (Leased Equipment, and individually an Item of Leased Equipment). Subject to the provisions of the Participation Agreement, upon delivery of each Item of Equipment to the Lessor on or after the First Delivery Date, but on or before the Final Delivery Date, the Lessee will either (a) cause an authorized representative of the Lessee to inspect the same and, if such Item is found to be in good order, to accept such Item and to execute and deliver a Certificate of Acceptance with respect thereto, or (b) if the Lessee, acting in good faith, should find that such Item is not in good order, return the same to the manufacturer thereof. Each Item of Leased Equipment delivered to and accepted by the Lessee in accordance with the Purchase Documents shall be subject to the terms and conditions of this Lease from the date the Lessor shall have acquired, or become obligated to pay for, such Item.

SECTION 3. Term and Rent. (a) The term of this Lease shall begin on the date the first Item of Equipment shall become an Item of Leased Equipment hereunder and shall end on the Expiration Date unless this Lease shall have been terminated, or the term of this Lease shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as basic rent (herein referred to as Basic Rent) for each Item of Leased Equipment, the following:

(1) on the Interim Rent Date, an amount equal to the Daily Lease Rate Factor, if any, multiplied by the Lessor's Cost of such Item of Leased Equipment, for each day elapsed from, and including, the Rent Commencement Date with respect to such Item of Leased Equipment to, but excluding, the Interim Rent Date; and

(2) on the First Basic Rent Date and on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor multiplied by the Lessor's Cost of such Item of Leased Equipment.

(c) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Casualty Value and Termination Value,

if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value or Termination Value; and

(3) on demand, to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of actual days elapsed) at the Late Payment Rate on any payment of Basic Rent, Casualty Value or Termination Value, if any, not paid when due for any period during which the same shall be overdue.

(d) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds no later than 11:00 A.M. New York City time, on the date payable hereunder and shall be paid to the Lessor at its address set forth herein or at such other address or to such other Person as the Lessor may direct by notice in writing to the Lessee.

SECTION 4. Net Lease. This Lease is a net lease, and the Lessee agrees that the Lessee's obligation to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, setoff, defense, counterclaim or recoupment (Abatements) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, against the manufacturer of any Item of Leased Equipment, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Leased Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by the Lessor or any other Person, or the invalidity or unenforceability or lack of due authorization of this Lease or any failure of the Lessor to perform any obligation of the Lessor to the Lessee or any other Person under this Lease, the Participation Agreement or any instrument or document executed in connection herewith, or for any other cause, whether similar or dissimilar to the



foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Warranty of the Lessor. (a) The Lessor warrants that during the term of this Lease, if no Event of Default shall have occurred, the Lessee's use of the Leased Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranty set forth in paragraph (a) of this Section 5 is in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Leased Equipment, and the Lessor shall not be deemed to have modified in any respect the obligations of the Lessee pursuant to Section 4 hereof, which obligations are absolute and unconditional. THE LESSEE EXPRESSLY AGREES TO LEASE EACH ITEM OF LEASED EQUIPMENT "AS IS". THE LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND THE LESSOR HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE LEASED EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE LEASED EQUIPMENT OR CONFORMITY OF THE LEASED EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT OR ABSOLUTE LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder, all of the Lessor's rights under any applicable manufacturer's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Leased Equipment to the condition required by Section 8 hereof.

SECTION 6. Liens. The Lessee will not directly or indirectly create, incur, assume or suffer to exist any

mortgage, lien, security interest, charge, claim or other encumbrance (Liens) on or with respect to the Leased Equipment, the Lessor's title thereto or any interest of the Lessor therein (and the Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Liens created or granted by the Lessor or resulting from claims against the Lessor not related to the Lessor's ownership of the Leased Equipment (Lessor's Liens), (c) Liens for taxes either not yet due or being duly contested by the Lessee in good faith, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

SECTION 7. Taxes. The Lessee agrees to pay and to indemnify and hold harmless the Lessor for all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease or any Supplement and imposed against the Lessor, the Lessee or any Item of Leased Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to any Item of Leased Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, taxes on, or measured solely by, the net income of the Lessor) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, stating that such Imposition is being duly contested by the Lessee in good faith and counsel for the Lessor shall have determined that the nonpayment or contest of payment in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such

claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under, or arising out of, this Section 7, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Leased Equipment in the Lessor and send a copy thereof to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 8. Use, Maintenance and Operation; Equipment Marking. (a) The Lessee agrees that each Item of Leased Equipment will only be used for the transportation of grain, grain products and dry bulk cargo. The Lessee further agrees that each Item of Leased Equipment will be used, or is intended for use, in connection with interstate commerce and will be used in compliance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof, and the Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of ownership by the Lessor of the Items of Leased Equipment or the leasing thereof to the Lessee. Throughout the term of this Lease, the possession, use and maintenance of each Item of Leased Equipment shall be at the sole risk and expense of the Lessee.

(b) So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of each Item of Leased Equipment in accordance with the terms of this Lease. Without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in all or any of the Leased Equipment except as hereinafter provided in this paragraph; and the Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Leased Equipment, except to the extent hereinafter provided in this paragraph. The Lessee shall be entitled to the use of each Item of Leased Equipment upon lines of railroad owned or operated by it or any affiliate of the Lessee or upon

lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is operated pursuant to contract or otherwise and shall be entitled to permit the use of the Leased Equipment upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements and, without relieving the Lessee of its liability hereunder, to assign its rights to any and all Items of Leased Equipment or to sublease such Items of Leased Equipment without the prior consent of the Lessor, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign, sublease or permit the assignment, sublease or use of any Item of Leased Equipment predominantly outside the United States of America within the meaning of Section 48(a) of the Code, nor shall the Lessee assign or sublease to, or permit the sublease or use of any Item of Leased Equipment by, any person in whose hands such Item would not qualify as "Section 38 property" within the meaning of the Code. So long as no Event of Default shall exist hereunder, the Lessee may receive and retain compensation for the use of any of the Items of Leased Equipment from railroads or other entities so using such Items.

Nothing in this Section 8 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease or possession of the Leased Equipment to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and provided, further, that if the Lessee shall continue in existence after any such corporate change, it shall also continue to remain liable with respect to the obligations of the Lessee hereunder, unless the Owner-Trustee and the Trustee shall otherwise consent in writing, notwithstanding any such assumption by a successor to the Lessee, as aforesaid.

(c) The Lessee agrees to comply in all respects (including without limitation with respect to the use,

maintenance and operation of each Item of Leased Equipment) with all laws of the jurisdictions in which its operations involving the Items of Leased Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Items of Leased Equipment, to the extent that such laws and rules affect the title, operation or use of the same, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Item of Leased Equipment, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease.

(d) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Item of Leased Equipment (including any parts installed on or replacements made to any Item of Leased Equipment and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads and in the same condition as other similar equipment owned or leased by railroads. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Item of Leased Equipment during the term of this Lease as are readily removable without causing material damage to such Items of Leased Equipment (and do not adversely and materially affect the value of such Items of Leased Equipment or affect the originally intended use thereof). The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are made in order to comply with the next sentence hereof. Any and all parts installed on and additions and replacements made to any Item of Leased Equipment (i) which are not readily removable without causing material damage to such Item, (ii) the cost of which is included in the Lessor's Cost, (iii) in the course of ordinary maintenance of such Item of Leased Equipment or (iv) which are required for the operation or use of such Item of Leased Equipment by the interchange rules of the

Association of American Railroads or by the regulations of the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body, shall constitute accessions to such Item of Leased Equipment and full ownership thereof free from any lien, charge, security interest or encumbrance (except for those created by the Lessor) shall immediately be vested in the Lessor.

(e) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Leased Equipment to be kept numbered with the identification number therefor as specified in the Certificate of Acceptance therefor, and (2) maintain the Equipment Marking on each Item of Leased Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Leased Equipment, the rights of the Lessor under this Lease and the Liens granted by the Lessor in financing the Lessor's Cost of the Leased Equipment. The Lessee will not place any Item of Leased Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

SECTION 9. Inspection and Reports. On or before March 31 in each year, commencing with the calendar year after the First Delivery Date, the Lessee will furnish to the Lessor and the Trustee an accurate statement (a) setting forth as at the preceding December 31 the total number, description and identification numbers of all Items of Leased Equipment then leased hereunder, the total number, description and identification numbers of all Items of Leased Equipment that have suffered an Event of Loss during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending repair (other than running repairs) and setting forth such other information regarding the condition and state of repair thereof as the Lessor or the Trustee may reasonably request, (b) stating that, in the case of all Items of Leased Equipment repainted or repaired during the period covered by such statement, the numbers and markings required by Section 8 hereof have been preserved or replaced and (c) further stating that the Lessee is in compliance under this Lease. The Lessor and the Trustee shall each have the right by its agents to inspect the Items of Leased Equipment and the

Lessee's records with respect thereto at such reasonable times as the Lessor or the Trustee may request during the continuance of this Lease; provided, however, that no such inspection shall unduly interfere with the Lessee's normal conduct of its business and that the expense of said inspection shall be borne by the inspecting party.

SECTION 10. Loss or Destruction; Requisition of Use. (a) In the event that any Item of Leased Equipment shall be or become irreparably damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto or use thereof shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (any such taking being herein referred to as a Requisition of Use) for a stated period which exceeds the then remaining term of this Lease (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, the Lessee shall pay to the Lessor the Casualty Value of such Item of Leased Equipment determined as of such Basic Rent Date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following the Event of Loss. Upon making such Casualty Value payment in respect of such Item of Leased Equipment and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item of Leased Equipment shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item of Leased Equipment, shall remain unchanged. Except in the case of loss, theft or destruction, the Lessor shall be entitled to recover possession of such Item. The Lessor shall be under no duty to the Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor.

(b) Following payment of the Casualty Value of an Item of Leased Equipment in accordance with the provisions of paragraph (a) of this Section 10, the Lessee, if possible, shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an as is, where is basis without recourse, representation or warranty, express or implied. As to each separate Item of Leased Equipment so disposed of, the Lessee may, after paying the Lessor the amounts specified in paragraph (a) of this Section 10, retain all amounts of such

price up to the Casualty Value thereof and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. With respect to a Requisition of Use of any Item of Leased Equipment for a stated period which exceeds the then remaining term of this Lease, the Lessor agrees that the Lessee shall receive and retain all amounts paid by any governmental authority up to the Casualty Value paid by the Lessee to the Lessor hereunder, and any excess shall be paid over and retained by the Lessor.

(c) Except as provided in this Section 10, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage to any Item of Leased Equipment or any Event of Loss relating thereto.

(d) In the case of a Requisition of Use of any Item of Leased Equipment for an indefinite period or for a stated period which does not exceed the then remaining term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums, attributable to the period such Item is subject to this Lease, received by reason of any such Requisition of Use referred to in the preceding sentence.

SECTION 11. Insurance. At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Leased Equipment and public liability insurance, in each case in amounts and against risks customarily insured against by the Lessee on similar equipment owned by it or, if the Lessee shall have no such similar equipment, in amounts and against risks comparable to those insured against by railroad companies on similar equipment; provided, however, that the amounts and risk coverage of public liability insurance shall be satisfactory to the Owner Trustee and the Trustee.

SECTION 12. Indemnification. The Lessee agrees to assume liability for, and does hereby agree to indemnify and save harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or



absolute liability in tort), actions, costs and expenses (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred by or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease, including, without limitation, the Indenture to the extent attributable to any Supplement, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, sale, return, storage or disposition of any Item of Leased Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent or trademark infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Leased Equipment arising from acts or events which occur after possession of such Item of Leased Equipment has been redelivered to the Lessor in accordance with Section 18 hereof, or (b) any Claim resulting from acts which would constitute the wilful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 12, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. THE LESSEE AGREES THAT THE LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY CLAIM CAUSED DIRECTLY OR INDIRECTLY BY THE INADEQUACY OF ANY ITEM OF LEASED EQUIPMENT FOR ANY PURPOSE OR ANY DEFICIENCY OR DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY THEREOF OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, ALL OF WHICH SHALL BE THE RISK AND RESPONSIBILITY OF THE LESSEE.

SECTION 13. Tax Indemnification. (a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits (except the Investment Credit Percentage to which the Lessee is entitled as set forth in Exhibit C attached hereto) and other benefits as are provided to an owner of property including, without

limitation:

(1) the deduction for accelerated depreciation (the Depreciation Deduction) on each Item of Leased Equipment under various sections of the Code based upon the Depreciable Life, Depreciation Method, and Net Salvage Value set forth in Exhibit C hereto; and

(2) the deduction under Section 163 of the Code (the Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor in financing its purchase of each Item of Leased Equipment.

(b) This Lease is to be entered into on the basis of, among other things, the following assumptions (the Assumptions): (i) at the time the Lessor becomes the owner of each Item of Leased Equipment, such Item will constitute "new Section 38 property" within the meaning of Sections 46 and 48 of the Code and at the time the Lessor becomes the owner of such Item, such Item of Leased Equipment will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (ii) each Item of Leased Equipment is an asset described in the Asset Guideline Class set forth under the heading Depreciable Life in Exhibit C hereto; (iii) the Lessee will not at any time during the term of this Lease use or fail to use any Item of Leased Equipment in such a way as to disqualify it as "Section 38 property" within the meaning of Section 48(a) of the Code; (iv) for Federal income tax purposes, all amounts includible in the gross income of the Lessor with respect to each Item of Leased Equipment and all deductions allowable to the Lessor with respect to each Item of Leased Equipment will be treated as derived from, or allocable to, sources within the United States; (v) the Lessee will maintain sufficient records to verify such use, which records will be available for review by the Lessor within 30 days after receipt of a written demand therefor; and (vi) an amount equal to at least 20% of the Lessor's Cost of each Item of Leased Equipment is a reasonable estimate of what the Fair Market Value of such Item will be on the Expiration Date with respect thereto without including in such value any increase or decrease for inflation or deflation and after subtracting

from such value any cost to the Lessor for removal and delivery of possession of such Item to the Lessor, and at least 20% of the original estimated useful life of such Item of Leased Equipment is a reasonable estimate of what the remaining useful life of such Item will be on the Expiration Date with respect thereto.

(c) If, by reason of (1) the inaccuracy in law or in fact of any of the Assumptions set forth in paragraph (b) of this Section, (2) the inaccuracy of any statement in any letter or document furnished to the Lessor by or on behalf of the Lessee in connection with the financing contemplated by this Lease, or (3) the act, failure to act or omission of or by the Lessee, the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to an Item of Leased Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Leased Equipment shall, on and after the next succeeding Basic Rent Date, upon written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item which, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of this Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all the Interest Deduction or the Depreciation Deduction with respect to such Item. If such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall, within 30 days after such notice, pay to the Lessor such sum as will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of this Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all the Interest Deduction and the Depreciation Deduction with respect to such Item. The Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor attributable to the Loss.

(d) For purposes of this Section, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Leased Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax

increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Leased Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section on account of, any Loss due to any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value or Termination Value of such Item, if such Casualty Value or Termination Value shall thereafter actually be paid by the Lessee, which shall reimburse the Lessor for amounts otherwise payable by the Lessee pursuant to this Section.

(e) All the Lessor's rights arising from the indemnities contained in this Section shall survive the expiration or other termination of this Lease with respect to any or all Items of Leased Equipment and such indemnities are expressly made for the benefit of, and shall be enforceable by, the Lessor, its successors and assigns.

SECTION 14. Right of First Refusal. (a) Provided that no Default or Event of Default shall have occurred and be continuing hereunder, the Lessor agrees that if it proposes to sell any Item of Leased Equipment following the expiration of the term of this Lease, it shall, not earlier than 120 days prior to such expiration and not later than 120 days after such expiration, give notice in writing to such effect to the Lessee. Within 60 days after receipt of such notice, the Lessee may give written notice to the Lessor that it wishes to buy any such Item of Leased Equipment at its Fair Market Value and, if such notice shall be given, the Lessor shall sell such Item of Leased Equipment to the Lessee at or after such expiration for its Fair Market Value. If the aforesaid notice shall not be given by the Lessee within the 60-day time period referred to in the previous sentence, the Lessor shall not have any further obligation to give the Lessee any right, option or notice with respect to the purchase of any Item of Leased Equipment.

(b) In the event the Lessee exercises any right to purchase any Item of Leased Equipment, then, upon payment of the purchase price, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without representations or warranties except that such Item of Leased Equipment is free and clear of all Liens by or in favor of any Person claiming by, through or under the Lessor) for such Item of

Leased Equipment, and such other documents as may be required to release such Item of Leased Equipment from the terms and scope of this Lease and to transfer title thereto to the Lessee or such assignee or nominee, in such form as may reasonably be requested by the Lessee, all at the Lessee's expense.

SECTION 15. Voluntary Termination. (a) The Lessee shall have the right, at any time on or after the First Termination Date, on at least 180 days' prior written notice to the Lessor, to terminate this Lease with respect to all, but not less than all, Items of Leased Equipment subject to this Lease, such termination to be effective on the Basic Rent Date next following the expiration of the 180-day notice period (the Termination Date); provided, however, that no Default or Event of Default shall have occurred and be continuing hereunder and that such Items shall have become obsolete or surplus to the Lessee's requirements. During the period from the giving of such notice until the Termination Date, the Lessor may, and the Lessee, as agent for the Lessor, shall, use their best efforts to obtain bids for the purchase of such Items of Leased Equipment. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the party submitting such bid (other than the Lessee or any affiliate of the Lessee). The Lessee may utilize agents for purposes of fulfilling its obligations set forth in this Section. On the Termination Date, the Lessor shall sell such Items of Leased Equipment, without recourse or warranty, for cash to the bidder who shall have submitted the highest bid prior to such date and shall transfer to such purchaser all of the Lessor's right, title and interest in and to such Items, and thereupon the Lessee shall deliver such Items of Leased Equipment so sold to the Lessor in accordance with the terms of Section 18 of this Lease; provided, however, that the Lessor shall not sell such Items without giving the Lessee the opportunity to be the purchaser thereof on the Termination Date at the same price (but not less than the Fair Market Value of such Items as of such date of purchase) and on the same terms as the highest bidder. The Lessor shall certify in writing to the Lessee (i) the amount of such total sale price, (ii) the expenses incurred by the Lessor in connection with such sale, and (iii) that such

total sale price represents the highest bid received by the Lessor for the purchase of such Items. The total sale price realized at such sale shall be retained by the Lessor, and, in addition, on the Termination Date, the Lessee shall pay to the Lessor the Basic Rent payment payable on such date and the amount, if any, by which (A) the Termination Value of such Items, computed as of the Termination Date, shall exceed (B) the proceeds of such sale less all expenses, including out-of-pocket attorneys' fees, if any, incurred by the Lessor in selling such Items. In the event no such sale takes place, the Lessee shall pay to the Lessor the Termination Value of such Items, computed as of the Termination Date, plus any expenses, including out-of-pocket attorneys' fees, if any, incurred by the Lessor in connection herewith and the Basic Rent payment then due, and the Lessor shall retain the Equipment free of any interest therein of the Lessee. Upon payment of all amounts required to be paid by the Lessee pursuant to this paragraph (a), the obligation of the Lessee for all Basic Rent accruing hereunder with respect to such Items due and payable after, but not on or before, the Termination Date shall cease.

(b) Notwithstanding the foregoing, provided that no Default or Event of Default shall have occurred and be continuing hereunder, upon written notification given to the Lessor not less than 60 days prior to the Termination Date, the Lessee may elect to rescind the Lessee's notice of termination, in which case this Lease shall not terminate as set forth in this Section, but shall continue in full force and effect as though no such notice of termination had been given by the Lessee. In the event that such notice of termination is rescinded, the Lessee agrees to reimburse the Lessor for all reasonable expenses incurred by the Lessor as a consequence of such rescission.

SECTION 16. Events of Default. The term Event of Default, wherever used herein, shall mean any of the following events under this Lease:

(a) the Lessee shall fail to make any payment of Rent within 10 days after written notice from the Lessor that the same shall have become due; or

(b) the Lessee shall have failed to comply with its obligations under Section 11 hereof; or

(c) the Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith, and such failure shall continue for 30 days after written notice thereof from the Lessor to the Lessee; or

(d) any representation or warranty made by the Lessee in this Lease, the Participation Agreement or any agreement, document or certificate delivered by the Lessee in connection herewith or therewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(e) a petition in bankruptcy or for reorganization or arrangement shall be filed by the Lessee; or the Lessee shall make an assignment for the benefit of creditors or consent to the appointment of a trustee, custodian or a receiver, or a trustee, custodian or a receiver shall be appointed for the Lessee, for any Item of Leased Equipment or for a substantial part of the Lessee's property without its consent and any such trustee, custodian or receiver shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee and shall not be dismissed within a period of 60 days; or

(f) the Lessee shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not have been duly contested in good faith.

SECTION 17. Remedies. (a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its

sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Leased Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Leased Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may, subject to compliance with all mandatory requirements of law, enter upon the premises where the Leased Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor shall have declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value of the Leased Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor shall have declared this Lease to be in default. Following the return of the Leased Equipment to the Lessor pursuant to this paragraph (2) the Lessor shall proceed to sell the Leased Equipment in such commercially reasonable manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to pay all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, (B) second, to pay to the Lessor an amount equal to any unpaid Rent due and payable and the Casualty Value, to the extent not previously paid, and (C) third, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent that all Basic Rent then due and payable with



respect to the Leased Equipment and the Casualty Value in respect of such Leased Equipment have not been previously paid, the Lessee shall forthwith pay to the Lessor the sum of (i) the amount by which (X) the sum of (a) all Basic Rent then due and payable with respect to the Leased Equipment, (b) the Casualty Value or portion thereof not theretofore paid, and (c) the amount payable under clause (A) of the preceding sentence, shall exceed (Y) the sale price of the Leased Equipment, and (ii) interest at the Late Payment Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 18. Return of Leased Equipment. (a) Return After Default. If this Lease shall terminate pursuant to Section 17 hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's

expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk:

(i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, place such Item of Leased Equipment upon such storage tracks as the Lessor reasonably may designate; and

(ii) cause such Item of Leased Equipment to be stored on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Item of Leased Equipment has been sold, leased or otherwise disposed of by the Lessor if such termination occurs pursuant to Section 17 hereof until the Period of Storage shall expire.

The assembling, delivery, storage and insurance of the Items of Leased Equipment as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and store the Items of Leased Equipment. During the Period of Storage, the Lessee will, at its own cost and expense if the Lease has been terminated pursuant to Section 17 hereof, upon the request of the Lessor and at the Lessor's expense, maintain and keep the Items of Leased Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Items of Leased Equipment to inspect the same. All amounts earned in respect of the Items of Leased Equipment after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment shall not be assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall

in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on a Basic Rent Date for such Items of Leased Equipment divided by 30 shall exceed the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

(b) Return After Other Termination. If this Lease shall expire or terminate (other than pursuant to the provisions of Sections 16 and 17 hereof) in accordance with the terms hereof in respect of any Item of Leased Equipment, the Lessee shall forthwith deliver possession of such Item of Leased Equipment to the Lessor; provided, however, that the Lessee, not later than 120 days prior to such expiration or termination, shall have notified the Lessor in writing of its intention not to act under Section 14 hereof. Each Item of Leased Equipment so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, shall be usable for the transportation of grain, grain products and dry bulk cargo, and shall have attached or affixed thereto any addition, modification or improvement considered an accession thereto as provided in Section 8 and shall have removed therefrom at the Lessee's expense any addition, modification or improvement which, as provided in Section 8, is owned by the Lessee or, if the same is not so removed, it shall be deemed to be an accession. For the purpose of delivering possession of any Item of Leased Equipment as above required, the Lessee shall at its own cost, expense and risk forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any such Item of Leased Equipment has been interchanged or which may have possession thereof to return such Item of Leased Equipment) and at the usual speed, deliver such item of Leased Equipment upon such tracks within the continental United States as the Lessor may designate. The assembling and delivery of the Items of Leased Equipment as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble and deliver the Items of Leased Equipment. All amounts earned in respect of the Items of Leased Equipment after the date of termination or expiration of this Lease shall belong to the Lessor

and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Item of Leased Equipment shall not be assembled and delivered as hereinabove provided, within 60 days after such termination or expiration, the Lessee shall in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the Basic Rent as set forth in Section 3(b)(2) hereof payable on a Basic Rent Date for such Items of Leased Equipment not so assembled and delivered divided by 30 shall exceed the actual earnings received by the Lessor for such Item of Leased Equipment for each such day.

(c) Authority. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 18, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Item of Leased Equipment to the Lessor, to demand and take possession of such Item of Leased Equipment in the name and on behalf of the Lessee from whomsoever shall be in possession of such Item of Leased Equipment at the time.

SECTION 19. Special Terms and Modifications. Any special terms or modifications set forth in Exhibit C hereto shall be applicable to this Lease as though fully set forth herein.

SECTION 20. Notices. All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail, prepaid, addressed (a) if to the Lessor, at P. O. Box 30007, Salt Lake City, Utah 84125, Attention of Trust Division, Corporate Trust Department with copies to (1) Itel Corporation, Equipment Finance Division, at One Embarcadero Center, San Francisco, California 94111, Attention of Contract Administration, (2) the Trustee, at 130 John Street, New York, New York 10038, Attention of Corporate Trust and Agency Division and (3) the Beneficiary, at its address set forth in Exhibit C hereto, and (b) if to the Lessee, at its address set forth on the signature page hereof.

SECTION 21. Successors, Assigns and Indemnified Parties. This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of, and may be enforced by, (1) the

Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, (i) the Beneficiary and its successors and assigns and (ii) any holder of the obligations of the Lessor issued in connection with this Lease, (2) the Trustee, as assignee and secured party, (3) the successors, assigns, agents and personal representatives of the Trustee, as assignee and secured party, and (4) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 5, 7 and 12 hereof, the Beneficiary, the Related Trust Estate, as such term is defined in the Trust Agreement, the Trustee, as assignee and secured party, any holder of obligations of the Lessor issued in connection with the purchase or acquisition of the Leased Equipment, and the successors, assigns, agents, and personal representatives of the foregoing shall each be indemnified thereunder and, with respect to clause (b) of the proviso to Section 12 hereof, the wilful misconduct or gross negligence of the Lessor or any one such person shall not affect the rights of any other person indemnified under such Section 12. With respect to the provisions of Section 13 hereof, the "Lessor", as used therein, shall mean the Beneficiary and the consolidated taxpayer group of which the Beneficiary is a member, and the Beneficiary (and such group) are hereby made third party beneficiaries for purposes of the provisions thereof.

SECTION 22. Amendments and Miscellaneous. (a) The terms of this Lease shall not be waived, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided, however, that no such waiver, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Indenture or the Supplement without the consent of the Trustee.

(b) All agreements, indemnities, representations and warranties contained in this Lease, the Participation Agreement or any agreement, document or certificate delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(c) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions

hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(d) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Leased Equipment, except as lessee only.

(e) This Lease may be executed in any number of counterparts and by the different parties hereto on separate counterparts. This Lease, the Indenture and the Supplement shall be filed with the Interstate Commerce Commission in accordance with the applicable provisions of 49 U.S.C. § 11303 prior to the delivery and acceptance hereunder of any Item of Leased Equipment.

(f) This Lease shall be governed by, and construed in accordance with, the laws of the state indicated in the address of the Lessee as set forth after its signature herein.

(g) Although this Lease is dated as of the date first above written for convenience, the actual dates of execution hereof by the parties hereto are respectively the dates set forth under the signatures hereto, and this Lease shall be effective on the latest of such dates.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

FIRST SECURITY BANK OF UTAH, N.A.,  
not in its individual capacity,  
but solely as trustee under a  
Master Trust Agreement dated as of  
October 31, 1978, between it and  
IteL Corporation, Equipment Finance  
Division,  
Lessor,

by

  
Authorized Officer

Dated:

5-24-79

THE PILLSBURY COMPANY,  
Lessee,

by \_\_\_\_\_

Dated:

Address: 608 Second Avenue South  
Minneapolis, Minnesota 55402

STATE OF UTAH,                   )  
   ) ss.:  
 COUNTY OF SALT LAKE,)

On the 24th day of May 1979, before me personally appeared William C. McHugh, who, being by me duly sworn, did say that he is an Authorized Officer of FIRST SECURITY BANK OF UTAH, N.A., that one of the seals affixed to the foregoing instrument is the seal of said national banking association, and that said instrument was signed and sealed on behalf of said national banking association, by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

  
 Notary Public

[NOTARIAL SEAL]

My Commission expires Nov 21, 1979

STATE OF MINNESOTA, )  
   ) ss.:  
 COUNTY OF HENNEPIN, )

On the            day of            1979, before me personally appeared           , who, being by me duly sworn, did say that he is            of THE PILLSBURY COMPANY, that one of the seals affixed to the foregoing instrument is the seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation, by authority of its by-laws and by resolution of its board of directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

\_\_\_\_\_  
 Notary Public

[NOTARIAL SEAL]

My Commission expires



EXHIBIT A  
to Lease

## DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description and AAR Mechanical Designation</u>	<u>Lessee's Identification Numbers</u>	<u>Estimated Lessor's Cost Per Item</u>
200	Marine Industrie Limitee	100-ton Lined Covered Hopper Cars, in con- formity with Manufacturer's General Arrange- ment drawing No. 9-14310 dated August 18, 1978, and Specification No. 364 dated August 18, 1978 (AAR-LO)	PBLX 20000 through 20199 (both inclusive)	U.S. \$44,000

EXHIBIT B  
to Lease

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

under

EQUIPMENT LEASE dated as of April 1, 1979 (the Lease), between FIRST SECURITY BANK OF UTAH, N.A., as lessor (the Lessor), not in its individual capacity, but solely as trustee for Wells Fargo Transport Leasing Corporation under a Master Trust Agreement dated as of October 31, 1978, between it and Itel Corporation, Equipment Finance Division, and THE PILLSBURY COMPANY, as lessee (the Lessee).

1. Items of Equipment. The Lessee hereby certifies that the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item) have been delivered to and inspected by the Lessee at Tracy (Sorel), Quebec, Canada found to be in good order and accepted as Items of Leased Equipment under the Lease, all on the Date(s) of Acceptance set forth on Schedule 1 hereto.

2. Representations by the Lessee. The Lessee hereby represents and warrants to the Lessor, the Beneficiary, the Trustee and the Long-Term Lender, as such terms are defined in the Lease and the Participation Agreement, that on the Date(s) of Acceptance set forth on Schedule 1 hereto:

(1) The representations and warranties of the Lessee set forth in the Participation Agreement are true and correct in all material respects as though made on and as of such Date of Acceptance.

(2) The Lessee has satisfied or complied with all requirements set forth in the Participation Agreement, in any certificate of the Lessee and in the Lease to be satisfied or complied with on or prior to such Date of Acceptance.

(3) No Default or Event of Default under the Lease has occurred and is continuing on such Date of Acceptance.

THE PILLSBURY COMPANY,  
Lessee,

by  
\_\_\_\_\_

Accepted on the Date(s) of Acceptance set forth on Schedule 1 hereto on behalf of the Lessor: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity, but solely as trustee under a Master Trust Agreement dated as of October 31, 1978, between it and Itel Corporation, Equipment Finance Division,  
Lessor

THE PILLSBURY COMPANY,  
as Authorized Representative

by  
\_\_\_\_\_

## SCHEDULE 1 TO

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost:

<u>Quantity</u>	<u>Manufacturer</u>	<u>Description</u>	<u>Lessee's Identification Number</u>	<u>New</u>	<u>Lessor's Cost</u>	<u>Date(s) of Acceptance</u>
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Total

\$ \_\_\_\_\_

EXHIBIT C  
to Lease

(20-year Basic Lease Term)

<u>Date of Lease:</u>	As of April 1, 1979
<u>Beneficiary:</u>	Wells Fargo Transport Leasing Corporation 425 California Street (10th Floor) San Francisco, California 94104
<u>Rent Commencement Date:</u>	The Date of Acceptance as set forth in the Certificate of Acceptance applicable to such Item.
<u>Late Payment Rate:</u>	A rate per annum equal to 1% over the Debt Rate, as such term is defined in the Partici- pation Agreement, but in no event at a rate per annum greater than that permitted by applicable law.
<u>Basic Rent Dates:</u>	The fifteenth day of January and July in each year.
<u>First Delivery Date:</u>	May 25, 1979
<u>Final Delivery Date:</u>	July 15, 1979
<u>Interim Rent Date:</u>	July 15, 1979
<u>First Basic Rent Date:</u>	January 15, 1980
<u>Last Basic Rent Date:</u>	July 15, 1999
<u>Expiration Date:</u>	July 15, 1999
<u>First Termination Date:</u>	July 15, 1989

\*Basic Lease Rate Factor:

January 15, 1980 )  
to and including ): 4.9126%  
July 15, 1999 )

\* The parties acknowledge that legislation may be enacted which would repeal customs duties now payable on the import into the United States of covered hopper cars from Canada and that such repeal may be made retroactive to the payment of customs duties with respect to the Leased Equipment. In the event such legislation shall be enacted, made retroactive to the Leased Equipment, and a refund shall be paid to the Lessor, then:

(a) the refund shall be placed in an escrow account (the Escrow Account) with the Trustee (as defined in the Participation Agreement);

(b) depreciation recapture, if any, plus an amount equal to all income taxes of the Lessor on the amount or amounts so distributed, payable as a result of such refund shall be paid by the Trustee to the Lessor out of the Escrow Account and investment tax credit recapture, if any, payable as a result of such refund shall be paid by the Trustee to the Lessee out of the Escrow Account;

(c) the funds in the Escrow Account shall be invested in treasury bills or other similar government securities;

(d) an amount equal to all income taxes of the Lessor on the interest earned on the funds in the Escrow Account shall be distributed to the Lessor out of the Escrow Account;

(e) the fees of the Trustee with respect to the Escrow Account shall be distributed to the Trustee out of the Escrow Account;

(f) the remainder of such funds shall be applied against a portion of each payment of principal and interest on the Notes of the Lessor issued in connection with this Lease. Such application shall be made in such a way that each payment of principal and interest on such Notes out of the Escrow Account shall be substantially the same and that the Escrow Account shall be exhausted on the date of the last payment of principal and interest; and

<u>Daily Lease Rate Factor:</u>	1/360th of the Debt Rate as defined in the Participation Agreement.
<u>Equipment Marking:</u>	In letters not less than one inch in height: "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission."
<u>Period of Storage:</u>	120 days if stored pursuant to Section 18(a).
<u>Investment Credit Percentage:</u>	10% to Lessee with respect to which the Lessor makes no representations or warranties, either express or implied.
<u>Depreciable Life:</u>	A 12-year depreciable life pursuant to Section 167(m) of the Code for an asset described in Asset Guideline Class No. 00.25.
<u>Depreciation Method:</u>	The double-declining balance method switching to the sum-of-the-years digits method when most beneficial to the Beneficiary and without the prior consent of the Commissioner of Internal Revenue utilizing either the "modified half-year" or "half-year" convention pursuant to Reg. Section 1.167(a)-11(c)(2)

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(g) the Basic Rent payable by the Lessee hereunder shall be reduced on each Basic Rent Date by an amount equal to the amount applied against principal and interest on such Notes out of the Escrow Account.

If the Long-Term Lender does not make its Loan on any Closing Date pursuant to the Participation Agreement, the Beneficiary agrees to make such Loan, and in such case, the Lessee agrees that the Basic Lease Rate Factor shall be 6.9871% and the Casualty Values and Termination Values shall be as set forth in Exhibit E to the Lease.

and taking into account the Net  
Salvage Value of the Leased  
Equipment.

Net Salvage Value:

An amount equal to 0% of the  
Lessor's Cost of the Leased  
Equipment.



EXHIBIT D  
to Lease

The Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Interim Rent Date	106.66068	-
Jan. 15, 1980	108.0865	-
July 15, 1980	109.1509	-
Jan. 15, 1981	109.4364	-
July 15, 1981	109.4994	-
Jan. 15, 1982	109.3685	-
July 15, 1982	109.0277	-
Jan. 15, 1983	108.4725	-
July 15, 1983	107.7129	-
Jan. 15, 1984	106.7357	-
July 15, 1984	105.5637	-
Jan. 15, 1985	104.1901	-
July 15, 1985	102.6329	-
Jan. 15, 1986	100.8918	-
July 15, 1986	98.9808	-
Jan. 15, 1987	96.9482	-
July 15, 1987	94.8135	-
Jan. 15, 1988	92.5716	-
July 15, 1988	90.2169	-
Jan. 15, 1989	87.7440	-
July 15, 1989	86.7855	86.78558
Jan. 15, 1990	83.9550	83.9550
July 15, 1990	80.7518	80.7518
Jan. 15, 1991	77.7130	77.7130
July 15, 1991	74.4045	74.4045
Jan. 15, 1992	71.2905	71.2905
July 15, 1992	67.9806	67.9806
Jan. 15, 1993	64.8647	64.8647
July 15, 1993	61.6218	61.6218
Jan. 15, 1994	58.5453	58.5453
July 15, 1994	55.4075	55.4075

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Jan. 15, 1995	52.3941	52.3941
July 15, 1995	49.3958	49.3958
Jan. 15, 1996	46.4921	46.4921
July 15, 1996	43.4246	43.4246
Jan. 15, 1997	40.2398	40.2398
July 15, 1997	36.8923	36.8923
Jan. 15, 1998	33.4271	33.4271
July 15, 1998	29.7828	29.7828
Jan. 15, 1999	25.9886	25.9886
July 15, 1999	20.0000	0.0000

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(a) In the event the Basic Lease Rate Factor shall be increased pursuant to the tax indemnification provisions set forth in Section 13 of this Lease, Casualty Values and Termination Values shall be adjusted accordingly.

EXHIBIT E  
to Lease

In the event that the Long-Term Lender does not make its Loan on any Closing Date pursuant to the Participation Agreement, the Casualty Value and Termination Value of each Item of Leased Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Interim Rent Date	106.8930%	
Jan. 15, 1980	109.5238	-
July 15, 1980	111.5375	-
Jan. 15, 1981	112.5156	-
July 15, 1981	113.2959	-
Jan. 15, 1982	114.2026	-
July 15, 1982	114.8718	-
Jan. 15, 1983	115.3392	-
July 15, 1983	115.5693	-
Jan. 15, 1984	115.5876	-
July 15, 1984	115.3722	-
Jan. 15, 1985	114.9530	-
July 15, 1985	114.3043	-
Jan. 15, 1986	113.4604	-
July 15, 1986	112.3916	-
Jan. 15, 1987	111.1369	-
July 15, 1987	109.6625	-
Jan. 15, 1988	108.0121	-
July 15, 1988	106.1480	-
Jan. 15, 1989	104.1184	-
July 15, 1989	101.8819	-
Jan. 15, 1990	99.4913	99.4913%
July 15, 1990	96.9012	96.9012
Jan. 15, 1991	94.1694	94.1694
July 15, 1991	91.2466	91.2466
Jan. 15, 1992	88.1952	88.1952
July 15, 1992	84.9621	84.9621

<u>Interim Rent Date and Basic Rent Payment Date</u>	<u>Casualty Value (a)</u>	<u>Termination Value (a)</u>
Jan. 15, 1993	81.6147	81.6147
July 15, 1993	78.0821	78.0821
Jan. 15, 1994	74.4222	74.4222
July 15, 1994	70.5617	70.5617
Jan. 15, 1995	66.5465	66.5465
July 15, 1995	62.3162	62.3162
Jan. 15, 1996	57.9163	57.9163
July 15, 1996	53.2842	53.2842
Jan. 15, 1997	48.4643	48.4643
July 15, 1997	43.3930	43.3930
Jan. 15, 1998	38.1129	38.1129
July 15, 1998	32.5604	32.5604
Jan. 15, 1999	26.7773	26.7773
July 15, 1999	20.0000	0.0000

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(a) In the event the Basic Lease Rate Factor shall be increased pursuant to the tax indemnification provisions set forth in Section 13 of this Lease, Casualty Values and Termination Values shall be adjusted accordingly.